

## Message Text

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TAGS: SOPN, EGEN

SUBJECT: PRESS MATERIAL

1. HERewith FULL TEXT WASHINGTON POST EDITORIAL, FRIDAY, MAY 30, TITLED "MR. KISSINGER ON WORLD TRADE".

2. THE UNITED STATES, IN THE PARIS MEETINGS THIS WEEK, HAS BROUGHT OUT ANOTHER PIECE OF ITS RAPIDLY CHANGING FOREIGN ECONOMIC POLICY. OR, MORE PRECISELY, SECRETARY HENRY A. KISSINGER AND THE DEPARTMENT OF STATE HAVE BROUGHT IT OUT. THE FIRST THING TO BE GRASPED ABOUT THIS EVOLVING POLICY IS THAT IT REMAINS A MATTER OF THE MOST VEHEMENT CONTROVERSY WITHIN THE FORD ADMINISTRATION. THE ISSUE HERE IS HOW -- OR EVEN WHETHER -- TO TRY TO STABILIZE WORLD TRADE IN RAW MATERIALS AND FUELS. THAT MEANS NOT ONLY OIL BUT TIN, WOOL, WHEAT AND EVERYTHING ELSE THAT AN INDUSTRIAL ECONOMY CONSUMES. THE PRODUCERS WANT GUARANTEES AGAINST FALLING PRICES.

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THE CONSUMING NATIONS, OR AT LEAST SOME OF THEM, WANT FOR-

MAL GUARANTEES AGAINST SOARING PRICES LIKE THOSE OF THE LAST SEVERAL YEARS, AND AGAINST EMBARGOES. THE UNITED STATES SEEMS TO BE WORKING ITS WAY TOWARD A POSITION HERE, BUT WITH ENORMOUS INTERNAL FRICTION THAT IS STILL VERY FAR FROM BEING RESOLVED.

3. THE ISSUE BEGINS WITH OIL, OF COURSE, BUT IT WOULD BE A VERY GREAT MISTAKE TO THINK THAT OIL IS THE ONLY COMMODITY IN WHICH THIS COUNTRY NOW HAS AN IMMEDIATE AND COMPELLING INTEREST. UNFORTUNATELY, THE PREOCCUPATION WITH OIL HAS REACHED A POINT AT WHICH IT IS OBSCURING THE NEED TO DEAL WITH THE OTHERS. WHEN THE INDUSTRIAL COUNTRIES SAT DOWN IN APRIL TO BEGIN FORMAL TALKS WITH SEVERAL OF THE OIL-PRODUCING COUNTRIES, THE AFFAIR ENDED IN TOTAL DISAGREEMENT. THE IMMEDIATE CAUSE OF THE BREAKDOWN WAS A DEMAND BY ALGERIA THAT THE INDUSTRIAL COUNTRIES DISCUSS THE PRICES NOT ONLY OF OIL BUT OF ALL COMMODITIES. THE UNITED STATES REFUSED. BUT DURING THE MONTH SINCE THEN APPARENTLY THE STATE DEPARTMENT, AT LEAST, HAS BEEN HAVING SECOND THOUGHTS.

4. THIS WEEK MR. KISSINGER MADE A COUNTER-PROPOSAL. HE SUGGESTED THREE PARALLEL CONFERENCES: ONE ON OIL, ONE ON OTHER COMMODITIES, AND A THIRD ON THE NEEDS OF THE POOR COUNTRIES. HE EVEN WENT SO FAR AS TO SAY THAT THE UNITED STATES IS PREPARED TO TALK ABOUT MAINTENANCE OF EXPORT EARNINGS OF THE POOR COUNTRIES. THESE OFFERS REPRESENT A CHANGE OF GREAT IMPORTANCE IN THE AMERICAN POSITION. BUT MR. KISSINGER TOOK SOME OF THE FORCE OUT OF THEM WITH HIS FURTHER COMMENT THAT ONLY THE OIL CONFERENCE WOULD ENGAGE IN BINDING NEGOTIATIONS; THE OTHERS WOULD BE LIMITED ONLY TO PRELIMINARY CONVERSATION. IN THIS PECULIAR QUALIFICATION, THE DISCERNING READER CAN SEE THE TIP OF A DISPUTE THAT HAS BEEN GATHERING MOMENTUM WITHIN THE ADMINISTRATION HERE IN WASHINGTON FOR SOME MONTHS.

5. GENERALLY SPEAKING, THE STATE DEPARTMENT IS NOW PERSUADED THAT IT WOULD SERVE THIS COUNTRY'S INTERESTS TO DISCUSS PRICES FOR A WIDE RANGE OF COMMODITIES. THE TREASURY DEPARTMENT UNDER SECRETARY WILLIAM E. SIMON IS STRONGLY

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LY OPPOSED TO PRICE AGREEMENTS ON OIL OR ANYTHING ELSE, VIEWING THEM AS PRICE-RIGGING, CARTELIZATION, AND A THREAT TO THE GENERAL PRINCIPLE THAT FREE MARKETS WORK BEST. TREASURY IS SUPPORTED, IN REGARD TO THE CRUCIAL MATTER OF FOOD PRICES AND RESERVES, BY THE AGRICULTURE DEPARTMENT.

6. UNTIL THE LAST FEW YEARS, IT SEEMED CLEAR ENOUGH THAT IT WAS THE POOR COUNTRIES ALONE THAT NEEDED COMMODITY

STABILIZATION AGREEMENTS. SINCE THE INDUSTRIAL COUNTRIES EXPORTED MANUFACTURED GOODS, THEY COULD LIVE COMFORTABLY WITHOUT AGREEMENTS. BUT THE SAVAGE INFLATION OF 1973-74 WAS LARGELY LED BY THE WORLD COMMODITY MARKETS, AND NO THOUGHTFUL AMERICAN OR EUROPEAN CAN LOOK BACK ON THAT EXPERIENCE WITHOUT SEEING THAT THE KNIFE CUTS BOTH WAYS.

7. FOR REASONS THAT MOST AMERICANS HAVE NOT YET NOTICED, THE UNITED STATES HAS AN EVEN MORE DIRECT INTEREST IN WORLD STABILIZATION AGREEMENTS. THIS COUNTRY HAS BECOME ONE OF THE WORLD'S GREATEST EXPORTERS OF AGRICULTURAL GOODS AND RAW MATERIALS. THEY CURRENTLY AMOUNT TO ABOUT ONE THIRD OF OUR TOTAL EXPORTS, WHICH IN TURN ARE A STEADILY RISING PROPORTION OF OUR NATIONAL PRODUCTION. WE ARE HEAVY EXPORTERS NOT ONLY OF FOOD AND FEED GRAIN, BUT OF COTTON, METAL SCRAP, COAL AND TIMBER. IN REGARD TO THESE GOODS THE UNITED STATES IS NOW RIDING THE SAME ROLLER COASTER THAT THE UNDEVELOPED COUNTRIES HAVE TRADITIONALLY RIDDEN, IN WHICH PRICES ALTERNATELY BOOM AND COLLAPSE.

8. UNFORTUNATELY, MR. KISSINGER IS GOING AT IT BACKWARD. BECAUSE OF THE ANXIOUS SEARCH FOR AN OIL POLICY, HE WANTS TO NEGOTIATE ON OIL PRICES WHILE HE WILL ONLY ENGAGE IN CONVERSATION ABOUT THE OTHERS. BUT OIL IS GOING TO BE THE MOST DIFFICULT OF ALL ON WHICH TO GET AN AGREEMENT. THE PRICES OF OTHER COMMODITIES HAVE NOT BECOME POLITICAL SYMBOLS TO NEARLY THE SAME DEGREE AS THE PRICE OF A BARREL OF OIL. NO OTHER COMMODITY BEGINS TO HAVE THE SAME DRASTIC IMPLICATIONS FOR THE FISCAL HEALTH OF THE MAJOR COUNTRIES. OIL MAY WELL TURN OUT TO BE THE LAST, NOT THE FIRST, OF THE COMMODITIES ON WHICH IT IS POSSIBLE TO GET ANY USEFUL WORLDWIDE AGREEMENT.

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9. THE CHOICE HERE IS NOT BETWEEN TRADITIONAL FREE MARKETS AND AN ATTEMPT AT INTERNATIONAL PRICE CONTROLS. THE ALTERNATIVE TO REASONABLE NEGOTIATIONS ON PRICES AND SUPPLIES IS MORE LIKELY TO BE A SERIES OF HIGHLY POLITICIZED PRODUCERS' CARTELS. OIL IS NOT THE ONLY CASE IN POINT. THERE ARE ALREADY PERHAPS A DOZEN MORE, COVERING, FOR EXAMPLE, MANY OF THE METALS AND ORES. COMMODITY AGREEMENTS AND GUARANTEES OF EARNED INCOME, OF THE SORT THAT MR. KISSINGER IS DISCUSSING IN PARIS, ARE FAR MORE IMPORTANT TO THE FUTURE OF THE POOR COUNTRIES THAN THE TRADITIONAL KINDS OF FOREIGN AID. AS WE SHOULD HAVE LEARNED FROM THE PAST THREE YEARS, THEY ARE ALSO NECESSARY TO THE RICH AND DEVELOPED COUNTRIES, INCLUDING THIS ONE. INGERSOLL

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